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DEPT OF ENERGY FOR A/S KHARBERT, TCUTLER, CZAMUDA, RLUHAR
DEPT PASS TO USTR CLILIENTFELD/AADLER/CHINCKLEY
DEPT PASS TO TREASURY FOR OFFICE OF SOUTH ASIA MNUGENT
TREASURY PASS TO FRB SAN FRANCISCO/TERESA CURRAN
USDA PASS FAS/OCRA/RADLER/BEAN/CARVER/RIKER
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SUBJECT: NEW DELHI WEEKLY ECON OFFICE HIGHLIGHTS FOR THE WEEK OF
MARCH 23 TO MARCH 27, 2009

¶1. (U) Below is a compilation of economic highlights from Embassy
New Delhi for the week of March 23-27, 2009, including the
following:

- Much Ado: Tata Nano Finally Launched
- Infosys Postpones Hiring; IBM Plans to Shift Jobs to India
- Wind-power Producers in Tamil Nadu Can Charge More
- Congress Manifesto Offers Incrementally More Populism

Much Ado: Tata Nano Finally Launched

¶2. (U) The long-awaited Tata Nano, also dubbed the "one lakh car,"
(Note: one lakh equals 100,000) and "the people's car," was launched
on Monday, March 23 in Mumbai, seven months behind schedule. The
basic model of the car is priced at one lakh rupees, approximately
\$2,000, per Tata CEO Ratan Tata's stated goal to produce a car that
would reach consumers that were previously unable to purchase
vehicles. The path to the launch has not been without obstacles:
the company was forced to abandon its original manufacturing site in
West Bengal (an investment of \$292 million) due to land disputes.
Tata Motors relocated the site to Gujarat, which is expected to
begin producing vehicles towards the end of 2009. Just after the
company's purchase of Jaguar Land Rover (JLR) through a \$2 billion
bridge loan (due to be repaid or refinanced in June 2009), the
global liquidity crunch hit, resulting in the company's first net
losses in seven years. In turn, the company is reported to have a
funding gap of \$3.4 billion for this year, which it hopes the Nano
will ease.

¶3. (SBU) While the new Nano manufacturing site is under
construction, vehicles are being assembled at plants in Pune and
Pantnagar at a rate of 50,000 a year, far below the expected demand
of one million units per year. According to Jalaj Gupta, North
India Regional Director of Tata's Passenger Car Unit, dealers will
be receiving bookings (customers must place a deposit close to the
car's price) through the month of April. To address high demand in
the first months of the launch, Tata will deliver the first batch of
Nanos to customers selected via a computer-generated lottery, most
likely in July. Customers who do not receive a car in the first
lottery may have to wait until the end of the year or longer.

14. (SBU) According to Gupta, there have been a lot of inquiries about the car, but now the challenge is to get the vehicles out to showrooms and delivered. "The real story," Gupta notes, "will be in the month of April when we see how many bookings are made." The Nano is launching amidst a tough sales period. Although car sales picked up in January and February (due to new model launches, dealership promotions, and interest rate cuts), the high numbers from these months may not be enough to boost the industry's low numbers from the preceding six months. SIAM (Society of Indian Auto Makers) director, Dilip Chenoy, estimates that the auto industry is likely to end the fiscal year with either negative or flat growth.

Infosys Postpones Hiring; IBM Plans to Shift Jobs to India

15. (U) Infosys, India's second largest software exporter, has postponed hiring plans by six months for engineering graduates, citing lower demand for software services in its US and European markets. Typically, the company hires at least a year in advance, but the economic slowdown is causing the company to reduce its numbers, especially on its "bench" of employees that do not yet have a designated assignment. For the December quarter, Infosys and its subsidiaries hired 5,597 employees, just over half of number it hired in the previous quarter. The company usually maintains a bench of 20 percent of the total number of employees, which it will reduce to ten percent in the upcoming fiscal year as growth of the company has slowed.

16. (U) Meanwhile, a media report announced IBM's plans to lay off about 5,000 US employees, with many of the jobs to be shifted to

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India. The report stated that the company was making cuts to the global business-services unit and quoted US employees as saying they have been providing training to India-based IBM workers to do work that will be shifted overseas. Foreign workers already account for 71 percent of IBM's 400,000 employees.

Wind-power Producers in Tamil Nadu Can Charge More

17. (SBU) The Tamil Nadu Electricity Regulatory Commission (TNERC) announced that privately owned wind-power producers can raise the price they charge per unit from INR 2.9 (about USD 0.06) to INR 3.39 (USD 0.07), effective April 1. The announcement enthused potential investors. The manager of a group of companies currently operating several wind-power turbines told Consulate General Chennai that the new tariffs will encourage producers to shift to newer units with greater capacities. He noted that many turbines in Tamil Nadu -- India's leader in wind power, with 43 percent of the country's installed capacity -- are more than ten years old and require refurbishment and upgrades. He predicted that this rise in allowable tariff will lead to a rapid increase in wind power capacity in the state. A scientist at Chennai's Center for Wind Energy Technology told us he expected that Tamil Nadu's wind-power producers can add an additional 1000 MW of installed capacity simply by upgrading existing turbines with more modern technology.

Congress Manifesto Offers Incrementally More Populism

18. (SBU) Congress Party President Sonia Gandhi released the party's 33-page election manifesto on March 23, continuing its populist pledges to "aam aadmi", the common man. Mainly more of the same, such as further expansion of the rural employment scheme and existing food subsidy program, the new promises - if even implemented - would increase only marginally the current central government fiscal deficit of nearly 6%. The extension of the rural employment guarantee to all individuals, rather than the current provision to all households, could increase the program's cost by as much as 50%, but that would be \$3 billion, or just 0.003% of GDP. The food subsidy proposal would lower the price of government-sold wheat and rice from roughly Rs 5/kg to Rs 3/kg, but the estimated

additional cost is just \$350 million a year. Promises for social security and health insurance are vague additions to existing, modest-cost programs.

¶9. (SBU) Some relatively constructive promises include a pledge to reform subsidies so that they reach only the truly needy sections of society. On privatization, while the Congress Party has signaled that it will not seek to fully privatize existing state-owned enterprises, it has stated it is open to reducing the government stake to 51% by allowing shares to be sold to the public. The Manifesto also recognizes that small and medium enterprises (SMEs) employ a significant number of workers, but at low wages and productivity. The Congress Party has pledged to improve infrastructure, financing and marketing to already-existing SME clusters, which could help grow export markets, sales, and wages. An interest waiver for all farmers' debt if they repay their loans on time should cost considerably less than the \$17 billion farm debt waiver program that the Congress-led UPA enacted last year, and encourages repayment rather than the moral hazard of loan forgiveness, which can encourage irresponsible borrowing.

¶10. (U) Visit New Delhi's Classified Website:
<http://www.state.sgov/p/sa/newdelhi>.

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